

Draft Submission to the Inquiry into National Freight and Supply Chain Priorities

August 2017

KEY POINTS

- Local government welcomes the government's development of a new freight and ports plan and looks forward to the inclusion of key initiatives targeting local government infrastructure.
- Local government acknowledges the importance of freight transport for productivity and economic development in national, regional and local contexts.
- The growing freight task has placed pressure on councils to increase access for higher productivity heavy vehicles on 'first and last mile' local roads and bridges.
- Councils face challenges in assessment and approval of heavy vehicle access applications, and need assistance from the National Heavy Vehicle Regulator and the state government, in the form of guidelines, training and capacity building to assist in this task.
- Local government welcomes state government funding programs such as the regional road block grants, Fixing Country Roads, Fixing Country Rail, Fixing Country Truck Washes, however roads are a significant cost to councils and ongoing funding commitments are required.
- Councils are looking for guidance from other levels of government, for example through overarching strategic transport and / or freight planning mechanisms, to better guide and inform their own asset management and infrastructure investment priorities.
- Freight transport in metropolitan and urban areas presents particular challenges, including road safety, amenity, congestion, noise and the impacts of construction-related traffic.
- Local Government encourages the use of rail freight transport as an alternative to heavy vehicle use on local roads, and supports the construction of the Melbourne – Brisbane Inland Rail project.
- LGNSW is developing a submission to the Future of Freight' NSW Freight & Ports Plan and will encourage the engagement of councils in this process.

1. Introduction

Local Government NSW (LGNSW) is the peak body for councils in NSW. LGNSW represents all the 152 NSW general-purpose councils, the special-purpose county councils and the NSW Aboriginal Land Council. In essence LGNSW is the 'sword and shield' of the NSW Local Government sector.

LGNSW is a credible, professional organisation facilitating the development of an effective community-based system of Local Government in NSW. LGNSW represents the views of councils to NSW and Australian Governments; provides industrial relations and specialist services to councils; and promotes NSW councils to the community.

2. General Comments

LGNSW welcomes the opportunity to provide input into the Inquiry into National Freight and Supply Chain Priorities.

Local Government is an effective and efficient infrastructure planner and deliverer, and is very good at identifying local needs based on their strategic integrated planning processes. This can be best seen in their management of the vast local road and bridge network across Australia - around 90% of all roads by length, but can also be seen in effective local water utilities, regional airports and aerodromes, recreation, cultural, family and community services facilities, and a range of other infrastructure vital to local communities.

LGNSW and our member councils recognise the need for strategic infrastructure planning and investment across Australia and within NSW to support transport and supply chain outcomes. Councils are at the coalface when it comes to infrastructure. They are acutely aware of their own infrastructure backlogs and they are equally aware of the national and state infrastructure deficiencies in their communities.

It will also be necessary to understand the financial impacts on councils often associated with large scale state infrastructure projects, population growth and the growing freight task generally. Growth generated by these factors places additional demand on local infrastructure and facilities, eg impacts on first and last mile local roads and bridges, heavy vehicle access impacts on communities, Programs need to recognise this and ensure financial assistance is provided to councils where required.

For this reason it is vitally important that the Australian Government, meaningfully involves Local Government in the determination of infrastructure investment priorities both at the local and regional level. Local and regional knowledge resource available from councils should not be overlooked.

3. Population Growth

LGNSW acknowledges the challenging infrastructure investment environment created by the projected population growth in Australia's main urban centres especially Sydney, and the growing national freight task

A key concern for councils in these strategic planning and economic development issues is the ability of all spheres of government to deliver the infrastructure required to support the population, transport and freight growth projections, and indeed scepticism based on previous experience that the infrastructure delivery will match the population growth. This especially involves key supply chain related infrastructure such as roads, railways, ports access, public transport, airports and aviation and other supporting local infrastructure.

In 2015, LGNSW surveyed our member councils to gauge their views on infrastructure needs, in both metropolitan and rural/regional planning contexts. The surveys revealed that state and local transport infrastructure is the critically identified need to support growth across the sector.

Key findings from the survey included:

- Over 70% of Sydney councils and over 50% of regional/rural councils indicate that state transport infrastructure is needed more than any other type to support growth, and is considered to be 'missing or delayed'.
- For Sydney councils, state transport infrastructure is considered to be missing or delayed more than for similar local infrastructure.
- There is recognition in Sydney that councils also have similar responsibilities, but limited funding, to upgrade local roads networks to support areas undergoing housing growth and that the delay of these program affects growth.
- In regional/rural areas, around half of councils indicated concerns with the lack of delivery of state transport infrastructure in rural areas, however, there is a higher proportion of councils (60%) who observed that the infrastructure needs of the local road network is more critical in undermining growth in regional NSW than the state transport system.

Appropriate strategies to invest in and support the growth of regional areas should also be considered as part any ongoing supply chain investment strategy. This could also assist in taking some of the heat out of the Sydney growth scenario and provide vital economic support to rural and regional areas of NSW.

4. Roads and Transport

As confirmed by our council survey and ongoing policy advocacy priorities for the sector as a whole, roads and transport infrastructure represents a key national, state and local infrastructure priority. Local Government recognises the importance the overall transport task in all areas of the NSW and Australia.

Local Government's primary direct interest in transport comes from its responsibilities for the local road and bridge network, which is a significant component of the national and state transport system totalling in NSW some 164,000 km, or about 90% by length of all roads in the state. These roads form vital local access roads for local residents, high traffic roads in built up urban areas, first and last mile roads for freight and related economic activities, higher level regional and district distribution connections, and rural lifelines for residents and producers in regional areas, to name just a few.

For most councils roads and related transport infrastructure is their single largest area of expenditure. Local road funding studies undertaken in recent years on Local Government assets and infrastructure funding backlog, have found funding backlogs in NSW of around \$6.3 billion and growing at a rate of \$800,000 p.a. Relevant studies in these areas include IPWEA's

Local Road and Bridge Asset Management Benchmark studies, NSW TCorp Financial Sustainability of the New South Wales Local Government Sector 2013, and the Division of Local Government's Local Government Infrastructure Audit 2013.

4.1 Freight Transport

Local Government acknowledges the importance of freight transport for productivity and economic development in national, regional and local contexts. The identification of a national infrastructure strategy with a defined and integrated national land freight network will assist all spheres of government in their ongoing strategic planning, investment and infrastructure programs. Councils in particular are looking for guidance from other levels of government, to better inform their own asset management and infrastructure investment priorities, especially given the limited funding currently available for these programs.

In developing policies regarding freight and heavy vehicle access councils must balance the economic benefits associated with the growing freight task with the impacts on road and bridge infrastructure and the road safety and amenity concerns of their local communities. The growing freight task has placed particular pressure on councils to increase access of higher productivity heavy vehicles on 'first and last mile' local roads, which they must balance with their asset management / funding responsibilities on those roads. We point out that the economic benefits to the freight and logistics industries, to their customers, and to the economy as a whole do not flow automatically through to councils in terms of increased revenue or funding to address the impact of these vehicles on the roads themselves, particularly in a rate-pegged environment which exists in NSW.

Funding is therefore one of the key issues in Local Government's attitude to the provision of infrastructure, the increasing freight task, and its impact on local road networks. Councils need new funding mechanisms to be able to share in the productivity improvements accruing to the heavy vehicle and logistics industries generally through the use of higher-productivity vehicles and other transport efficiency gains, which otherwise do not provide Local Government with any direct financial benefit. This would provide councils with a mechanism to address the road upgrades that these vehicles require to use our roads and to redress the huge infrastructure funding backlog facing councils around the state and nation.

There are presently insufficient funds available to Local Government to maintain the local road network even in its current condition. This applies to the entire existing local road network, irrespective of issues specifically related to any new operations of certain types of heavy vehicles. So while Councils are looking for financial incentives to open up local road networks, i.e. grants, access charges, mass/distance charges etc, any additional funding opportunities must firstly fit within councils existing financial and asset management framework. These mechanisms are already stretched (both financially and through other resource limitations) to accommodate routine infrastructure maintenance and upgrades to existing local road networks, let alone any additions or enhancements to those networks identified within a national infrastructure, transport or freight strategy.

Local Government in NSW will also need to consider any freight strategy investment program in the context of the State Government's Integrated Planning & Reporting Framework (IPR). This requires councils in NSW to develop and implement Community Strategic Plans, Delivery Programs, Operational Plans and Annual Reporting over short, medium and longer term timeframes. With these planning frameworks in mind, councils will need robust and consistent information from the IA Plan process to include in their planning and investment programs.

For the vast majority of councils there is no direct incentive to invest proactively for heavy vehicle traffic since there is no direct link between heavy vehicle usage and income for road improvements and maintenance. Nevertheless, most councils are motivated to do what they are able to encourage improved productivity and increased economic growth (or to avoid negative growth). Many councils are involved in regional transport groups or Regional Organisations of Councils (ROCs) which are interested in working to improve economic and employment outcomes for their respective regions. The present Local Government reform process in NSW may provide further opportunities in this area in the form of Joint Organisations. The Associations are comfortable with a model that may deliver more substantial level of targeted *additional* funding, linked to strategic plans such as the IA plan in some way, to councils via a strategic regional type arrangement.

However, any new funding mechanism developed to assist national infrastructure and transport strategies on local roads, including road pricing, must be clearly separated from and additional to existing Commonwealth, State Government and Local Government road funding sources. This is the only way that councils will be able to fund the additional costs of opening up their local road networks for example to more heavy vehicles, on top of their existing road maintenance funding commitments. In addition any new funding arrangements must be:

- administratively simple and transparent for road authorities and operators alike;
- based on a clearly articulated and agreed freight or infrastructure strategy; and
- available to all affected councils over time.

It will also need to include provision for transiting traffic, i.e. traffic not originating or destined for a particular Local Government Area but nonetheless travelling through that area and making use of their local road network.

In a land-use planning context, the needs of the freight industry in both individual developments (e.g. heavy and light commercial vehicle access to shopping centre loading docks etc) and in a more general strategic planning context (e.g. appropriate access roads, truck parking and break-up areas, driver rest areas etc) also needs to be identified. Related to this also are the planning issues associated with appropriate 'span of hours' (i.e. approved opening hours) for industrial and warehouse type development to facilitate more efficient access by the freight industry while also taking into account the traffic and amenity impact on local communities and residents.

4.2 Public Transport

Local Government is also a firm advocate for the provision of public transport to contribute to the long-term sustainability of our communities, and to provide vital access to those people in remote locations or in disadvantaged groups. LGNSW holds policy positions strongly supportive of public transport within both urban and regional areas of the state, and within an overall integrated planning and land use context. The overall growth of the Sydney and surrounding regions pose major challenges to the achievement of accessibility, environmental and social equity goals. The continued development of the region's transport system, especially public transport, is crucial to addressing these challenges.

In a supply chain context, the provision of reliable and effective alternative public transport options is vital in reducing pressure on an already congested road network and freeing up capacity for the growing freight task.

In rural and regional areas of the state, regular, reliable and inexpensive public transport options are required as a feasible alternative to the car for many trips, especially for disadvantaged groups, and to assist promotion of these regions as viable alternatives to Sydney for growth, development and investment.

We acknowledge that the complexity of the transport task in both urban and regional areas will continue to require an appropriate mix of existing transport modes, including heavy rail, light rail, bus, ferry, car as well as walking and cycling. The key transport infrastructure/planning outcomes should therefore be to encourage and provide the choice of the right mode for the right trip. Public transport has a key role in this equation. The attractiveness of public transport compared to private vehicles is also enhanced when other factors such as information, timetables, common ticketing systems, easy-to-use transport interchanges, integration of services within and between modes, and service frequency, cleanliness and safety issues are addressed as essential components of the overall transport planning task.

Local Government is a vitally important stakeholder in any of these proposals and would expect to be involved in the planning for enhanced transport infrastructure, whether it is for new roads, rail links, light rail, transitway/express bus lanes or pedestrian/cycle paths. This could include appropriate treatments in local road situations located near key transport interchanges aimed at improving passenger flows and/or modal interchange.

4.3 Rail Transport

Local Government considers rail to be the most appropriate form of transport for mass/bulk products. In many regional areas of the state rail branch line closures have forced additional heavy vehicle movements onto adjacent local road networks. Councils feel that rail transport must be explored as an alternative to road transport where possible, through use of existing under-utilised rail lines, through the development of new trunk routes such as the North-South Inland Rail project, and through the use of appropriate financial pricing signals to encourage where possible a greater degree of competition between rail and road modes of transport. Neither is this issue restricted to rural and regional areas of the state. Councils in metropolitan areas are facing increasing levels of heavy vehicle traffic on already congested local roads, for example in areas located near or affected by access to Port Botany in Sydney. Initiatives to greatly increase the rail modal share of this freight traffic must be addressed through this Plan.

A freight issue of particular concern to councils in the grain growing regions of NSW is the condition and the closure of rail lines with primary role of transporting grain. The running down and closure of these lines means that grain is being carried increasing distances by road, often on local roads. This is placing increased pressure on these roads without any direct recompense to the council for the extra damage to local roads by the increased traffic. The use of higher productivity vehicles to carry grain greater distance in some cases places increased pressure to upgrade the roads and bridges to cater for these vehicles, and at the same time further decreases the relative competitiveness of any rail modal option. Local Government perceives this creeping transfer of grain haulage from rail to road as a direct cost shift from state owned rail systems to council owned and managed roads without proper analysis and regard to achieving the best overall transport economic outcome.

Improved regional rail infrastructure would also provide opportunities for enhanced regional passenger rail services. Previous research undertaken by the Local Government sector in

NSW has highlighted the broader social, environmental and economic aspects of regional rail services as a viable and necessary transport option in rural and regional areas.

LGNSW has recently welcomed the Federal Government's announcement of an additional \$8.4 billion in new equity funding for the Australian Rail Track Corporation (ARTC) to deliver the Melbourne to Brisbane Inland Rail project. This major project has the potential to offer real economic development opportunities for rural and regional communities.

An additional challenge facing some rural councils is that disruption caused by long freight trains. Local Government has therefore calls on the government to provide funding for the construction of rail overpasses due to the increase in rail freight, for example from mining activity, and the imminent danger of Emergency Services vehicles being delayed due to obstruction of these rail crossings. Many of these crossings cut regional towns in two and delay Emergency Services with no alternate route being available.

4.4 Airports and Aerodromes

Local Government is a key stakeholder in the provision of aviation services to regional Australia. Regional airports are almost exclusively owned and operated by councils and the infrastructure and associated airline services are vital components for the economic and social development of regional areas. There are some 60 Civil Aviation Safety Authority certified or registered council owned and managed aerodromes in NSW. This includes 26 airports serving over 2 million passengers annually on regulated and deregulated regular passenger services, as well as many other charter, emergency and general aviation services.

Funding for maintenance and upgrading of Local Government owned and managed airports and aerodromes is an ongoing concern for councils and in many cases is unable to be covered by airline user charges. Local Government airport owners face significant issues in cost recovery for the use of their facilities. Currently some councils charge fees reflecting the cost of the service provided, while others subsidise the services through their ratepayers, justified on tourism or regional development grounds, or to assist with the retention of their service. Several councils in NSW have attempted to increase landing/head tax fees to pay for necessary runway and infrastructure upgrades, only to have the main airline operator serving that destination threaten to withdraw services and indeed, actively campaign against any attempt to increase fees.

Other councils have even more marginally viable airport facilities, for example those centres unable to support a sustainable air service, where council and state government subsidies are required to assist in the provision of air services, and where there is no scope for any scale of cost-recovery to assist in the funding or maintenance of aerodrome facilities.

With respect to Sydney Airport, regional communities remain concerned that while the existing access management regime, particularly for peak hour access, may be adequate, there are no guarantees about future access, especially when a second Sydney airport is operational. It is vital to these communities that access is maintained and that services are appropriate to the local community. The prospect of regional airlines being forced to use either a second Sydney Airport or existing facilities such as Bankstown, Newcastle or Canberra rather than Sydney is also not attractive to regional operators and unacceptable to regional communities of NSW. Even if transport infrastructure were provided, there would still be extra time and cost for country people having to do business in Sydney or transferring to interstate or international flights.

5. Council case studies

6. Conclusion

LGNSW is a strong advocate of increased infrastructure investment by all spheres of government. It is important that the Australian Government embrace Local Government as a partner in this process, and ensure that local infrastructure needs are also addressed.